

Service Date: February 20, 1996

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
of the MONTANA POWER COMPANY for)	DOCKET NO. D95.9.128
Authority to Increase Rates for Electric)	ORDER NO. 5865c
and Gas Service.)	

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INTERIM ORDER

Introduction

1. On February 12, 1996, the Montana Power Company (MPC or Company) notified the Montana Public Service Commission (Commission) of its request to adjust rates for two accruals the Company had been accumulating. These accruals are related to rate changes caused by rates paid by Rhone-Poulenc (RP Chem) and changes in the Montana Public Service Commission (MPSC) tax rate.

2. On July 1, 1995 there were two rate adjustments that affected the rate RP Chem paid for electricity. First, tariffed rates increased to remove a one-time revenue differential recovery. Second, the energy component of Rate Schedule EIRI-2, increased from \$0.0245 per KWH to \$0.0260 per KWH as authorized in the same proceedings. These increases to RP Chem's rates should have caused a decrease to all other electric rates.

3. The MPSC tax rate changed on October 1, 1994, and October 1, 1995. The changes in the tax rate were accounted for through accruals and amortizations on the Company's books. The Company requested the issuance of an order to address these tax rate changes.

Findings of Fact**Rhone-Poulenc**

1. The Electric Industrial Retention Interruptible (EIRI-2) rate is the retention rate available to RP Chem until June 30, 1996. This rate was designed to allow RP Chem to compete, while leaving other customers and/or stockholders "indifferent" to the rate impacts of load retention. The revenue shortfall was to be recovered in other customers' rates.

2. Pursuant to Docket No. 93.7.29, Order 5735b, the Company accrued the RP Chem rate/revenue differential for the period October 13, 1993, (the date of the interim approval of EIRI-2) to June 30, 1994, (the date the rate was made final by Order 5735c). From July 1, 1994, to June 30, 1995, MPC increased rates by .4279 percent (in accordance with Order 5735c) to recover the accrued differential. RP Chem's rates changed on July 1, 1995 to adjust for the removal of the one-time revenue differential recovery.

3. The RP Chem rates increased on July 1, 1995, in accordance with the EIRI-2 Rate Schedules. Given the adjustment that was made based on the difference between RP Chem II-1 and EIRI-2 Rate Schedules, a rate increase for RP Chem will result in a rate decrease for all other electric customers.

4. In a Notice of Commission Action, dated July 5, 1995, in Docket No. N.95.54, the PSC allowed the Company to accrue the rate revenue difference, plus interest, for future treatment. This accrual, plus interest, for the period July 1, 1995, through February 29, 1996, is \$1,567,397. The Commission finds that the electric revenue requirement should be decreased by an amount equal to this accrual.

5. By Notice of Commission Action in Docket No. 94.8.36, MPC was allowed to accrue an over collection of the MPSC tax. The over collection was caused by a tax rate decrease that became effective October 1, 1994. The Company accrued this over collection from October 1, 1994 to May 1, 1995.

6. Order No. 5800c, Docket No. 94.8.30 required MPC to amortize the accrued amount over a five month period, beginning May 1, 1995. Pending an interim order in the current MPC filing, no action to adjust rates has been initiated. The continuing amortization has resulted in an under collection of \$129,729.

7. The MPSC tax rate decreased again on October 1, 1995. Due to the pending filing, revised tariffs have not been filed to reflect this adjustment, which results in an over collection of \$86,719.

8. The combined effect of these changes (the amortization under collection and the MPSC tax rate over collection) produce a net electric revenue requirement increase of \$43,010.

9. The Commission finds it appropriate to increase electric revenue requirements by the \$43,010 MPSC tax adjustment and decrease electric revenue requirements by the \$1,567,397. The net effect on the electric revenue requirement is a decrease of \$1,524,387.

Conclusions of Law

1. Montana Power Company furnishes electric service for consumers in the State of Montana, and is a public utility under regulatory jurisdiction of the Montana Public Service Commission. §69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over Montana Power Company's rates and operations. § 69-3-102, MCA and Title 69, Chapter 3, Part 3, MCA.

3. The rate level approved herein is just, reasonable, and not unjustly discriminatory. §69-3-330 and 69-3-201, MCA.

Order

1. Montana Power Company is hereby required to decrease annual Montana jurisdictional electric revenues of \$1,524,387.

2. Montana Power Company is required to implement the decreased rates, beginning on the effective date of this Order, designed to decrease annual Montana jurisdictional electric revenues by \$1,524,387. The decreased rates shall be on a uniform percentage basis.

3. Applicant is hereby ordered to comply with all directives of the Commission as described in the body of this Order.

4. The effective date of this Order is March 1, 1996.
DONE AND DATED this 14th day of February, 1996, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCaffree, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary
(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.